

# House File 560 - Introduced

HOUSE FILE \_\_\_\_\_  
BY COWNIE

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act increasing the percentage of qualified expenditures that  
2 may be claimed for purposes of the research activities tax  
3 credit and including a retroactive applicability date  
4 provision.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

6 TLSB 2328YH 83

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PAG LIN

1 1 Section 1. Section 15.335, subsection 1, paragraph a,  
2 subparagraph (1), Code 2009, is amended to read as follows:

1 3 (1) The credit equals the sum of the following:

1 4 (a) ~~Six and one-half~~ Ten percent of the excess of  
1 5 qualified research expenses during the tax year over the base  
1 6 amount for the tax year based upon the state's apportioned  
1 7 share of the qualifying expenditures for increasing research  
1 8 activities.

1 9 (b) ~~Six and one-half~~ Ten percent of the basic research  
1 10 payments determined under section 41(e)(1)(A) of the Internal  
1 11 Revenue Code during the tax year based upon the state's  
1 12 apportioned share of the qualifying expenditures for  
1 13 increasing research activities.

1 14 Sec. 2. Section 15A.9, subsection 8, paragraph a,  
1 15 subparagraph (1), Code 2009, is amended to read as follows:

1 16 (1) The credit equals the sum of the following:

1 17 (a) ~~Thirteen~~ Twenty percent of the excess of qualified  
1 18 research expenses during the tax year over the base amount for  
1 19 the tax year based upon the state's apportioned share of the  
1 20 qualifying expenditures for increasing research activities.

1 21 (b) ~~Thirteen~~ Twenty percent of the basic research payments  
1 22 determined under section 41(e)(1)(A) of the Internal Revenue  
1 23 Code during the tax year based upon the state's apportioned  
1 24 share of the qualifying expenditures for increasing research  
1 25 activities.

1 26 Sec. 3. Section 422.10, subsection 1, paragraph a, Code  
1 27 2009, is amended to read as follows:

1 28 a. (1) For individuals, the credit equals the sum of the  
1 29 following:

1 30 ~~(1)~~ (a) ~~Six and one-half~~ Ten percent of the excess of  
1 31 qualified research expenses during the tax year over the base  
1 32 amount for the tax year based upon the state's apportioned  
1 33 share of the qualifying expenditures for increasing research  
1 34 activities.

1 35 ~~(2)~~ (b) ~~Six and one-half~~ Ten percent of the basic  
2 1 research payments determined under section 41(e)(1)(A) of the  
2 2 Internal Revenue Code during the tax year based upon the  
2 3 state's apportioned share of the qualifying expenditures for  
2 4 increasing research activities.

2 5 (2) The state's apportioned share of the qualifying  
2 6 expenditures for increasing research activities is a percent  
2 7 equal to the ratio of qualified research expenditures in this  
2 8 state to total qualified research expenditures.

2 9 Sec. 4. Section 422.33, subsection 5, paragraph a, Code  
2 10 2009, is amended to read as follows:

2 11 a. (1) The taxes imposed under this division shall be  
2 12 reduced by a state tax credit for increasing research  
2 13 activities in this state equal to the sum of the following:

2 14 ~~(1)~~ (a) ~~Six and one-half~~ Ten percent of the excess of  
2 15 qualified research expenses during the tax year over the base  
2 16 amount for the tax year based upon the state's apportioned  
2 17 share of the qualifying expenditures for increasing research  
2 18 activities.

2 19 (2) (b) Six and one-half Ten percent of the basic  
2 20 research payments determined under section 41(e)(1)(A) of the  
2 21 Internal Revenue Code during the tax year based upon the  
2 22 state's apportioned share of the qualifying expenditures for  
2 23 increasing research activities.

2 24 (2) The state's apportioned share of the qualifying  
2 25 expenditures for increasing research activities is a percent  
2 26 equal to the ratio of qualified research expenditures in this  
2 27 state to the total qualified research expenditures.

2 28 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies  
2 29 retroactively to January 1, 2009, for tax years beginning on  
2 30 or after that date.

2 31 EXPLANATION

2 32 This bill increases the amount of the research activities  
2 33 tax credit.

2 34 Currently, the amount of the tax credit under the  
2 35 individual and corporate income taxes is 6.5 percent of  
3 1 qualified research expenditures, but under Code section  
3 2 15.335, the department of economic development may award an  
3 3 additional 6.5 percent. The bill increases to 10 percent the  
3 4 amount available under both the individual and corporate  
3 5 income taxes as well as the additional credits awarded by the  
3 6 department of economic development. Because the research  
3 7 activities tax credit is in lieu of the income tax credits  
3 8 under the quality jobs enterprise zone program, the bill  
3 9 increases the percentage from 13 percent to 20 percent.

3 10 The bill applies retroactively to January 1, 2009, for tax  
3 11 years beginning on or after that date.

3 12 LSB 2328YH 83

3 13 tw/mg:sc/5